



SWALA ENERGY LIMITED
ACN 161 989 546

ASX Release (ASX: SWE)

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SWALA COMMITS TO DRILL IN BLOCK 12B IN KENYA

Swala Energy Limited ("Swala" or "the Company") is pleased to advise that the Company's joint venture partner and the Operator in Block 12B in Kenya, Tullow Oil plc (LSE: TLW) ("Tullow"), has informed the Government of Kenya of their intention to proceed into the First Additional Exploration Period (Contract Years 3 and 4) of the Production Sharing Contract (PSC).

Under the terms of the PSC the joint venture is obliged to acquire 300km² of 3D seismic data or drill one exploratory well during Years 3 and 4. The interpreted data received so far from the recently completed seismic survey over Block 12B has given Swala and Tullow firm confidence to continue the work programme and to commit to drill an exploratory well in 2015.

The third Joint venture partner, CEPSA, has opted to withdraw from the PSC saying they would have preferred more time to review the data before having to commit to a drill-or-drop decision. As the Company announced on the 10th March 2014, CEPSA farmed into Block 12B, with a commitment to carrying the Company's seismic costs up to a maximum of US\$2.6 million and had also agreed to carry Swala through the first exploration well (should they have elected to enter this First Additional Exploration Period of the PSC).

Dr. David Mestres Ridge, CEO, said "The recent seismic results have provided the technical comfort to both Tullow and Swala to make an informed decision to proceed into Years 3 and 4 of the PSC and we are excited at the prospect of drilling the first exploration well in this frontier basin. We do however regret that CEPSA has felt it necessary to withdraw from the licence after such a short period of time as a joint venture participant. All parties are working together to reduce the impact of this premature withdrawal constructively and we are confident that this will lead to a satisfactory outcome to the matter. With seismic campaigns due to commence over the Pangani and Kilosa-Kilombero licences in Tanzania in the coming months and the high likelihood of our maiden drilling project taking place in 2015 the Company is looking to the future with confidence. "

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**About Swala:**

Swala Energy Limited is an Australian oil and gas company listed on the Australian Securities Exchange ("ASX") under the symbol "SWE". Swala's holdings are predominantly in the world-class East African Rift System with a total net land package in excess of 18,800km² in Kenya, Tanzania and Zambia. New discoveries have been announced in a number of licences along this trend, including Ngamia, Twiga and Etuko, which extend the multi-billion barrel Albert Graben play into the eastern arm of the rift system. Swala has an active operational and business development programme to continue to grow its presence in the promising hydrocarbon provinces of Africa.

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